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**VILLAGE OF WALKERVILLE  
OCEANA COUNTY**

**FINANCIAL STATEMENTS  
FEBRUARY 28, 2005**

## Auditing Procedures Report

Issued under P.A. 2 of 1968, as amended.

Local Government Type <input type="checkbox"/> City <input type="checkbox"/> Township <input checked="" type="checkbox"/> Village <input type="checkbox"/> Other		Local Government Name <b>Village of Walkerville</b>	County <b>Oceana</b>
Audit Date <b>2/28/05</b>	Opinion Date <b>6/6/05</b>	Date Accountant Report Submitted to State. <b>7/25/05</b>	

We have audited the financial statements of this local unit of government and rendered an opinion on financial statements prepared in accordance with the Statements of the Governmental Accounting Standards Board (GASB) and the *Uniform Reporting Format for Financial Statements for Counties and Local Units of Government in Michigan* by the Michigan Department of Treasury.

We affirm that:

1. We have complied with the *Bulletin for the Audits of Local Units of Government in Michigan* as revised.
2. We are certified public accountants registered to practice in Michigan.

We further affirm the following. "Yes" responses have been disclosed in the financial statements, including the notes, or in the report of comments and recommendations

You must check the applicable box for each item below.

- ☐ Yes ☒ No 1. Certain component units/funds/agencies of the local unit are excluded from the financial statements.
- ☒ Yes ☐ No 2. There are accumulated deficits in one or more of this unit's unreserved fund balances/retained earnings (P.A. 275 of 1980).
- ☐ Yes ☒ No 3. There are instances of non-compliance with the Uniform Accounting and Budgeting Act (P.A. 2 of 1968, as amended).
- ☐ Yes ☒ No 4. The local unit has violated the conditions of either an order issued under the Municipal Finance Act or its requirements, or an order issued under the Emergency Municipal Loan Act.
- ☐ Yes ☒ No 5. The local unit holds deposits/investments which do not comply with statutory requirements. (P.A. 20 of 1943, as amended [MCL 129.91], or P.A. 55 of 1982, as amended [MCL 38.1132]).
- ☐ Yes ☒ No 6. The local unit has been delinquent in distributing tax revenues that were collected for another taxing unit.
- ☐ Yes ☒ No 7. The local unit has violated the Constitutional requirement (Article 9, Section 24) to fund current year earned pension benefits (normal costs) in the current year. If the plan is more than 100% funded and the overfunding credits are more than the normal cost requirement, no contributions are due (paid during the year).
- ☐ Yes ☒ No 8. The local unit uses credit cards and has not adopted an applicable policy as required by P.A. 266 of 1995 (MCL 129.241).
- ☒ Yes ☐ No 9. The local unit has not adopted an investment policy as required by P.A. 196 of 1997 (MCL 129.95).

We have enclosed the following:

	Enclosed	To Be Forwarded	Not Required
The letter of comments and recommendations.	✓		
Reports on individual federal financial assistance programs (program audits).			✓
Single Audit Reports (ASLGU).			✓

Certified Public Accountant (Firm Name) <b>Hendon &amp; Slate, P.C.</b>			
Street Address <b>711 West Main Street, PO Box 9</b>		City <b>Fremont</b>	State <b>MI</b>
Accountant Signature <i>Jodi DeKuniger, CPA</i>		ZIP <b>49412</b>	Date <b>7/25/05</b>

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## VILLAGE OF WALKERVILLE

### List of Principal Individuals

Jerry Frick	President
Eva Amstutz	Treasurer
Shirley Pearson	Clerk/Assessor
Ernest Gilbert, Jr.	Trustee
Mary Johnson	Trustee
Jay Conklin	Trustee
Faye Davidson	Trustee
Ernest Gilbert, Sr.	Trustee
Valerie Aiken	Trustee

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# HS & Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



June 6, 2005

Village Board  
Village of Walkerville  
Walkerville, MI

## Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Walkerville, Michigan, as of and for the year ended February 28, 2005, which collectively comprise the Village's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Village of Walkerville, Michigan, management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the general purpose financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the general purpose financial statements. An audit also includes assessing the accounting principles used and significant estimates made by the management, as well as evaluating the overall general purpose financial statements presentation. We believe that our audit provides a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, each major fund, and the aggregate remaining fund information of the Village of Walkerville, Michigan, as of February 28, 2005, and the respective changes in financial position thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

As described in Note A, the Village of Walkerville has implemented a new financial reporting model, as required by the provisions of GASB Statement No. 34, *Basic Financial Statements - and Management's Discussion and Analysis - for State and Local Governments*, as of February 28, 2005.

The management's discussion and analysis and budgetary comparison information on pages 3 through 5 and 26 through 30, are not a required part of the basic financial statements, but are supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

**Grand Rapids**  
2025 East Belding SE  
Suite 208  
Grand Rapids, MI 49546  
Phone (616) 954-3995  
Fax (616) 954-3690

**Muskegon**  
950 W. Norton Ave.  
Suite 500  
Muskegon, MI 49441  
Phone (231) 733-0076  
Fax (231) 733-0185

**Fremont**  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6899  
Fax (231) 924-4888  
Toll Free (800) 924-6891

**Whitehall**  
116 W. Colby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6773

**Hart**  
2532 North Compton Drive  
Hart, MI 49420  
Phone (231) 873-5611  
Fax (231) 873-7633

[www.hscompanies.com](http://www.hscompanies.com)

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise the Village of Walkerville, Michigan's basic financial statements. The introductory section, combining and individual nonmajor fund financial statements are presented for purposes of additional analysis and are not a required part of the basic financial statements. The combining and individual nonmajor fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole. The introductory section has not been subjected to the auditing procedures applied in the audit of the basic financial statements and, accordingly, we express no opinion on it.

*Hendon & Slate, P.C.*

Hendon & Slate, P.C.  
Certified Public Accountants

## MANAGEMENT'S DISCUSSION AND ANALYSIS

### Using this Annual Report

This annual report consists of a series of financial statements. The Governmental Wide Statement of Net Assets and the Government Wide Statement of Activities provide information about the activities of the Village as a whole and present a longer-term view of the Village's finances. Fund financial statements tell how these services were financed in the short-term, as well as what remains for future spending. Fund financial statements also report the Village's operations in more detail than the government-wide financial statements.

### The Village as a Whole

The Village's combined net assets decreased 3.68% from a year ago - decreasing from \$742,253 to \$714,954. This was mainly the result of capital purchases. These included a GMC road truck and the installation of a diesel tank and pump. The Village also made several improvements, including resurfacing of local streets and the hiring of summer youth workers to improve the park and cemetery. In a condensed format, the table below shows key financial information (in future years when prior year information is available, a comparative analysis of government-wide data will be presented).

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Current Assets	\$ 55,154	\$ 14,144	\$ 69,298
Restricted Assets	-	185,618	185,618
Capital and Other Noncurrent Assets	<u>284,291</u>	<u>451,596</u>	<u>735,887</u>
Total Assets	<u>\$ 339,445</u>	<u>\$ 651,358</u>	<u>\$990,803</u>
Current Liabilities	\$ 27,133	\$ 14,389	\$ 41,522
Noncurrent Liabilities	<u>46,565</u>	<u>187,762</u>	<u>234,327</u>
Total Liabilities	<u>\$ 73,698</u>	<u>\$ 202,151</u>	<u>\$ 275,849</u>
Net Assets			
Invested in Capital Assets-Net of Debt	\$ 226,716	\$ 255,834	\$ 482,550
Restricted	-	104,392	104,392
Unrestricted	<u>39,031</u>	<u>88,981</u>	<u>128,012</u>
Total Net Assets	<u>\$ 265,747</u>	<u>\$ 449,207</u>	<u>\$ 714,954</u>

Unrestricted net assets - the part of net assets that can be used to finance day to day operations, decreased by \$7,078 for the total governmental activities. This represents a decrease of approximately 5.42%.

	<u>Governmental Activities</u>	<u>Business-Type Activities</u>	<u>Total</u>
Program Revenues			
Charges for Services	\$ 3,443	\$ 22,227	\$ 25,670
General Revenues			
Property Taxes	40,168	375	40,543
State Grants	74,791	-	74,791
Investment Earnings	605	9,339	9,944
Rents, Refunds, Other	<u>2,765</u>	<u>-</u>	<u>2,765</u>
Total Revenues	<u>\$ 121,772</u>	<u>\$ 31,941</u>	<u>\$ 153,713</u>



## Management's Discussion and Analysis (Continued)

	Governmental Activities	Business-Type Activities	Total
Program Expenses			
Legislative	\$ 21,241	\$ -	\$ 21,241
General Government	22,883	-	22,883
Public Safety	19,583	-	19,583
Public Works	49,247	-	49,247
Recreation & Culture	7,496	-	7,496
Unallocated Depreciation	7,583	-	7,583
Interest on Long-Term Debt	2,621	-	2,621
Other Functions	6,098	-	6,098
Loss on Disposition of Capital Assets	1,350	-	1,350
Sewer Maintenance	-	30,911	30,911
Sewer Restricted	-	13,325	13,325
Total Expenses	<u>138,102</u>	<u>44,236</u>	<u>182,338</u>
Excess before Special Items	(16,330)	(12,295)	(28,625)
Prior Period Adjustment	<u>4,182</u>	<u>(2,856)</u>	<u>1,326</u>
Change in Net Assets	<u>\$ (12,148)</u>	<u>\$ (15,151)</u>	<u>\$ (27,299)</u>

By the end of the fiscal year February 28, 2005, the Village's net assets were very low. In February of 2005, a CD was opened and will be added to each year for new equipment. Hopefully, when the need again arises, the Village will be better prepared.

### Governmental Activities

The Village's total governmental revenues basically remained the same. While expenses increased almost \$10 thousand during the year, this was primarily the result of purchases of several capital assets with long-term debt, causing the net assets for the governmental activities to decrease.

### Business-Type Activities

The Sewer Fund's net assets decreased by \$12,295, with revenues and expenses remaining constant.

### The Village's Fund

Our analysis of the Village's major funds follows the entity wide financial statements. The fund financial statements provide detail information about the most significant funds, not the Village as a whole. The Village Board creates funds to help manage money for specific purposes as well as to show accountability for certain activities, such as special property tax millages. All of the Village's funds for 2005 are considered major.

The Major Street fund has a significant decrease in net assets due to Engineering costs not covered by the Transportation Economic Development Fund Grant.

The Local Street Fund also had a decrease in net assets due to resurfacing work done on local streets.

### General Fund Budgetary Highlights

Over the course of the year, the Village Board continually amended the budget to take into account events during the year. General Fund expenditure amendments reflected an overall increase in expenses. The change was driven by a substantial increase in public works to purchase the road grader.

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## Management's Discussion and Analysis (Continued)

### **Capital Asset and Debt Administration**

As of February 28, 2005, the Village had \$735,887 invested in a broad range of capital assets, including land, buildings, roads, vehicles, and equipment. Major capital asset events during the year included the purchase of a used road truck, the installation of a diesel pump and tank, and engineering costs for future road rehabilitation. A loan was taken at Westshore Bank to purchase the road truck for \$19,500 at 3.5% interest. Village debt totals \$253,337 with \$19,010 due within one year.

### **Economic Factors and Future Year Plans**

One of the long range goals of the Village is to surface or resurface local streets. The Village also received a grant from the Michigan Department of Transportation for road rehabilitation work along Main and Hamon Street. This work will be started and completed during the 2005-06 fiscal year, although the Village has already incurred over \$21,000 of engineering costs.

### **Contacting the Village's Management**

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Village's finances and to show the Village's accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the clerk's office.

# VILLAGE OF WALKERVILLE

## Government Wide Statement of Net Assets February 28, 2005

	Business-Type Activities	Governmental Activities	Total Primary Government
<b>ASSETS</b>			
Cash	\$ 5,841	\$ 27,073	\$ 32,914
Accounts Receivable	6,650	15,435	22,085
Taxes Receivable	81,226	9,719	90,945
Internal Balances	1,519	(1,519)	-
Prepaid Insurance	134	4,446	4,580
Restricted Cash	104,392	-	104,392
Property and Equipment	796,175	488,806	1,284,981
Accumulated Depreciation	<u>(344,579)</u>	<u>(204,515)</u>	<u>(549,094)</u>
Total Assets	651,358	339,445	990,803
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	585	12,598	13,183
Due to Employees	-	3,525	3,525
Deferred Revenue	5,804	-	5,804
Non-Current Liabilities			
Due Within One Year	8,000	11,010	19,010
Due in More Than One Year	<u>187,762</u>	<u>46,565</u>	<u>234,327</u>
Total Liabilities	<u>202,151</u>	<u>73,698</u>	<u>275,849</u>
<b>NET ASSETS</b>			
Invested in Capital Assets			
Net of Related Debt	255,834	226,716	482,550
Restricted Net Assets	104,392	-	104,392
Unrestricted Net Assets	<u>88,981</u>	<u>39,031</u>	<u>128,012</u>
Total Net Assets	<u>\$ 449,207</u>	<u>\$ 265,747</u>	<u>\$ 714,954</u>

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Government Wide Statement of Activities For the Fiscal Year Ended February 28, 2005

<u>Functions/Programs</u>	<u>Expenses</u>	<u>Program Revenues</u> Charges for <u>Services</u>	Net (Expense) Revenue And Changes in <u>Net Assets</u> Governmental <u>Activities</u>	Business-Type <u>Activities</u>	<u>Total</u>
Primary Government					
Governmental Activities					
Legislative	\$ 21,241	\$ -	\$ (21,241)	\$ -	\$ (21,241)
General Government	22,883	3,443	(19,440)	-	(19,440)
Public Safety	19,583	-	(19,583)	-	(19,583)
Public Works	49,247	-	(49,247)	-	(49,247)
Recreation and Culture	7,496	-	(7,496)	-	(7,496)
Interest on Debt	2,621	-	(2,621)	-	(2,621)
Other Functions	6,098	-	(6,098)	-	(6,098)
Unallocated Depreciation	7,583	-	(7,583)	-	(7,583)
Loss on Disposition of Capital Asset	<u>1,350</u>	<u>-</u>	<u>(1,350)</u>	<u>-</u>	<u>(1,350)</u>
Total Governmental Activities	138,102	3,443	(134,659)	-	(134,659)
Business-Type Activities					
Sewer Maintenance	30,911	19,442	-	(11,469)	(11,469)
Sewer Restricted	<u>13,325</u>	<u>2,785</u>	<u>-</u>	<u>(10,540)</u>	<u>(10,540)</u>
Total Business-Type Activities	44,236	22,227	-	(22,009)	(22,009)
General Revenues					
Property Taxes			\$ 40,168	375	40,543
State Grants			74,791	-	74,791
Interest Income			605	9,339	9,944
Rents			659	-	659
Refunds and Reimbursements			2,081	-	2,081
Miscellaneous			<u>25</u>	<u>-</u>	<u>25</u>
Total General Revenues			<u>118,329</u>	<u>9,714</u>	<u>128,043</u>
Excess Before Special and Extraordinary Items			(16,330)	(12,295)	(28,625)
Prior Period Adjustments			<u>4,182</u>	<u>(2,856)</u>	<u>1,326</u>
Changes in Net Assets			(12,148)	(15,151)	(27,299)
Net Assets - March 1, 2004			<u>277,895</u>	<u>464,358</u>	<u>742,253</u>
Net Assets - February 28, 2005			<u>\$ 265,747</u>	<u>\$ 449,207</u>	<u>\$ 714,954</u>

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Governmental Fund Balance Sheet February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>ASSETS</b>				
Cash	\$ 22,251	\$ 1,892	\$ 2,930	\$ 27,073
Taxes Receivable	9,719	-	-	9,719
Accounts Receivable	5,022	7,338	3,075	15,435
Due from Other Funds	<u>16,891</u>	<u>1,296</u>	<u>-</u>	<u>18,187</u>
Total Assets	<u>\$ 53,883</u>	<u>\$ 10,526</u>	<u>\$ 6,005</u>	<u>\$ 70,414</u>
<b>LIABILITIES</b>				
Accounts Payable	\$ 1,649	\$ 10,949	\$ -	\$ 12,598
Due to Employees	3,525	-	-	3,525
Due to Other Funds	<u>3,084</u>	<u>7,024</u>	<u>9,598</u>	<u>19,706</u>
Total Liabilities	8,258	17,973	9,598	35,829
<b>FUND BALANCES</b>				
Designated	2,500	-	-	2,500
Unrestricted	<u>43,125</u>	<u>(7,447)</u>	<u>(3,593)</u>	<u>32,085</u>
Total Fund Balances	<u>45,625</u>	<u>(7,447)</u>	<u>(3,593)</u>	<u>34,585</u>
Total Liabilities and Fund Balance	<u>\$ 53,883</u>	<u>\$ 10,526</u>	<u>\$ 6,005</u>	<u>\$ 70,414</u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

### Reconciliation of the Balance Sheet of Governmental Funds to the Statement of Net Assets For the Fiscal Year Ended February 28, 2005

Total Governmental Fund Balances	\$ 34,585
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Total net assets reported for governmental activities in the statement of net assets are different from the amount reported as total governmental funds fund balance because:

Prepaid Insurance reflects amounts that will be used in a future period:

4,446

Capital assets used in governmental activities are not financial resources and therefore are not reported in the fund statements. Amounts reported for governmental activities in the statement of net assets:

Governmental Capital Asset

488,806

Governmental Accumulated Depreciation

(204,515)

Long-term liabilities, including bonds and notes payable, are not due in the current period and therefore are not reported in the fund statements. Long-term liabilities reported in the statement of net assets that are not reported in the funds balance sheet are:

(57,575)

Total Net Assets - Governmental Activities

\$ 265,747

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Governmental Fund Statements of Revenue, Expenditures and Changes in Fund Balance February 28, 2005

	General Fund	Major Street Fund	Local Street Fund	Total Governmental Funds
<b>Revenues</b>				
Property Taxes	\$ 40,168	\$ -	\$ -	\$ 40,168
State Grants	30,156	34,351	10,284	74,791
Charges for Services	3,443	-	-	3,443
Interest	464	35	106	605
Rents	38,763	-	-	38,763
Refunds and Reimbursements	2,081	-	-	2,081
Licenses and Permits	<u>25</u>	<u>-</u>	<u>-</u>	<u>25</u>
Total Revenues	115,100	34,386	10,390	159,876
<b>Expenditures</b>				
Current				
Legislative	21,150	-	-	21,150
General Government	22,883	-	-	22,883
Public Safety	14,521	-	-	14,521
Public Works	29,340	24,857	33,154	87,351
Recreation and Culture	7,496	-	-	7,496
Other Functions	6,098	-	-	6,098
Debt Service				
Principal	3,743	5,000	-	8,743
Interest	653	1,968	-	2,621
Capital Outlay				
Equipment	22,968	-	-	22,968
Highways and Streets	<u>-</u>	<u>21,944</u>	<u>-</u>	<u>21,944</u>
Total Expenditures	<u>128,852</u>	<u>53,769</u>	<u>33,154</u>	<u>215,775</u>
Excess Revenues Over (Under) Expenditures	(13,752)	(19,383)	(22,764)	(55,899)
Other Financing Sources (Uses)				
Operating Transfers In	-	-	14,282	14,282
Operating Transfers Out	(14,282)	-	-	(14,282)
Sale of Fixed Assets	300	-	-	300
Proceeds from Long-Term Debt	<u>19,500</u>	<u>-</u>	<u>-</u>	<u>19,500</u>
Total Other Financing Sources (Uses)	5,518	-	14,282	19,800
Excess Revenues Over (Under) Expenditures and Other Uses	(8,234)	(19,383)	(8,482)	(36,099)
Prior Period Adjustments	-	3,302	880	4,182
Fund Balance - March 1	<u>53,859</u>	<u>8,634</u>	<u>4,009</u>	<u>66,502</u>
Fund Balance - February 28	<u>\$ 45,625</u>	<u>\$ (7,447)</u>	<u>\$ (3,593)</u>	<u>\$ 34,585</u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

### Reconciliation of Statement of Revenues, Expenditures and Changes in Fund Balances of Governmental Funds to the Statement of Activities February 28, 2005

Net Changes in Fund Balances - Total Governmental Funds \$ (36,099)

Amounts reported for governmental activities in the Statement of Activities are different because:

Prepaid Insurance reflects amounts that will be used in a future period:

Current Year Prepaid Insurance:	4,446	
Prior Year Prepaid Insurance:	<u>(4,537)</u>	(91)

The acquisition of capital assets are reported in the governmental funds as expenditures. However, for governmental activities those costs are shown in the statement of net assets and allocated over their estimated useful lives as annual depreciation expenses in the statement of activities:

Capital outlay reported in governmental fund statements	44,912	
The net effect of various miscellaneous transactions involving capital assets (i.e., sales, trade-ins, and donations) is to increase (decrease) assets.	(1,650)	
Depreciation expense reported in the Statement of Activities	<u>(12,645)</u>	30,617

Proceeds from debt issues are another financing source in the funds, but a debt issue increases long-term obligations in the statement of net assets.

(19,500)

Repayment of principal on long-term debt is reported in the governmental funds as an expenditures, but is reported as a reduction in long-term debt in the statement of net assets and does not affect the statement of activities.

The amount of long-term debt principal payments in the current year is:	<u>8,743</u>	<u>(10,757)</u>
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Changes in Net Assets - Governmental Activities \$ (16,330)

The Notes to the Financial Statements are an integral part of this statement.



# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Net Assets February 28, 2005

	Sewer Maintenance <u>Fund</u>	Sewer Restricted <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>ASSETS</b>			
Current Assets			
Cash	\$ 5,841	\$ -	\$ 5,841
Accounts Receivable	6,650	-	6,650
Taxes Receivable	-	81,226	81,226
Prepaid Insurance	134	-	134
Internal Balances	<u>3,963</u>	<u>(2,444)</u>	<u>1,519</u>
Total Current Assets	16,588	78,782	95,370
Noncurrent Assets			
Restricted Cash	-	104,392	104,392
Net Capital Assets	<u>451,596</u>	<u>-</u>	<u>451,596</u>
Total Noncurrent Assets	<u>451,596</u>	<u>104,392</u>	<u>555,988</u>
Total Assets	468,184	183,174	651,358
<b>LIABILITIES</b>			
Current Liabilities			
Accounts Payable	585	-	585
Deferred Revenue	-	5,804	5,804
Current Long-Term Debt	<u>-</u>	<u>8,000</u>	<u>8,000</u>
Total Current Liabilities	585	13,804	14,389
Noncurrent Liabilities			
Long-term Bonds	<u>-</u>	<u>187,762</u>	<u>187,762</u>
Total Liabilities	585	201,566	202,151
<b>NET ASSETS</b>			
Invested in Capital Assets			
- Net of Debt	451,596	(195,762)	255,834
Restricted Assets	-	104,392	104,392
Unrestricted	<u>16,003</u>	<u>72,978</u>	<u>88,981</u>
Total Net Assets	<u>\$ 467,599</u>	<u>\$ (18,392)</u>	<u>\$ 449,207</u>

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Revenue, Expenses and Changes in Net Assets February 28, 2005

	Sewer Maintenance <u>Fund</u>	Sewer Restricted <u>Fund</u>	Total Proprietary <u>Funds</u>
<b>Operating Revenues</b>			
Fees	\$ 19,442	\$ 2,785	\$ 22,227
Taxes	<u>-</u>	<u>375</u>	<u>375</u>
Total Operating Revenues	19,442	3,160	22,602
<b>Operating Expenses</b>			
Payroll Expenses	3,782	-	3,782
Supplies and Insurance	958	-	958
Professional & Contracted Services	1,325	-	1,325
Utilities	207	-	207
Services	10,954	-	10,954
Licenses	1,950	-	1,950
Depreciation	<u>11,735</u>	<u>-</u>	<u>11,735</u>
Total Operating Expenses	<u>30,911</u>	<u>-</u>	<u>30,911</u>
Operating Income (Loss)	(11,469)	3,160	(8,309)
<b>Non Operating Revenues</b>			
Interest Income	629	8,710	9,339
Interest Expense	-	(12,000)	(12,000)
Other Expenses	<u>-</u>	<u>(1,325)</u>	<u>(1,325)</u>
Total Non Operating Revenue (Expenses)	<u>629</u>	<u>(4,615)</u>	<u>(3,986)</u>
Income (Loss)	(10,840)	(1,455)	(12,295)
Prior Period Adjustment	-	(2,856)	(2,856)
Total Net Assets - Beginning	<u>478,439</u>	<u>(14,081)</u>	<u>464,358</u>
Total Net Assets - Ending	<u>\$ 467,599</u>	<u>\$ (18,392)</u>	<u>\$ 449,207</u>

The Notes to the Financial Statements are an integral part of this statement.

# VILLAGE OF WALKERVILLE

## Proprietary Fund Statement of Cash Flows February 28, 2005

	Sewer Maintenance Fund	Sewer Restricted Fund	Total Proprietary Funds
<b>Cash Flows From Operating Activities</b>			
Receipts from Customers	\$ 21,245	\$ -	\$ 21,245
Receipts from Property Taxes	-	5,418	5,418
Payments for Employees	(4,033)	-	(4,033)
Payments to Suppliers	<u>(12,424)</u>	<u>-</u>	<u>(12,424)</u>
Net Cash Provided (Used) by Operating Activities	4,788	5,418	10,206
<b>Cash Flows From Noncapital Financial Activities</b>			
Payments for Services	-	(1,325)	(1,325)
<b>Cash Flows From Capital and Related Financing Activities</b>			
Principal and Interest on Capital Debt	-	(20,000)	(20,000)
Receipt (Payment) by Other Fund	<u>(7,375)</u>	<u>7,375</u>	<u>-</u>
Net Cash Flows from Capital and Related Financing Activities	(7,375)	(12,625)	(20,000)
<b>Cash Flows From Investing Activities</b>			
Interest	629	8,710	9,339
Interest on Restricted Cash	-	(178)	(178)
Purchase of Equipment	<u>(5,818)</u>	<u>-</u>	<u>(5,818)</u>
Net Cash Flow Provided (Used) by Investing Activities	(5,189)	8,532	<u>3,343</u>
Net Increase (Decrease in Cash)	(7,776)	-	(7,776)
Balance - Beginning of Year	<u>13,617</u>	<u>-</u>	<u>13,617</u>
Balance - End of Year	<u>\$ 5,841</u>	<u>\$ -</u>	<u>\$ 5,841</u>
<b>Reconciliation of Operating Income (Loss) to Net Cash Provided (Used) by Operating Activities</b>			
Operating Income (Loss)	\$ (11,469)	\$ 3,160	\$ (8,309)
Adjustments to Reconcile Operating Income to Net Cash Provided (Used) by Operating Activities			
Depreciation Expense	11,735	-	11,735
Change in Assets and Liabilities			
Accounts Receivable	1,803	-	1,803
Internal Balances	3,054	(2,785)	269
Taxes Receivable	-	8,275	8,275
Adjustment to Taxes Receivable	-	(2,856)	(2,856)
Prepaid Expenses	(9)	-	(9)
Accounts Payable	(75)	-	(75)
Wages Payable	(251)	-	(251)
Deferred Revenue	<u>-</u>	<u>(376)</u>	<u>(376)</u>
Net Cash Provided by Operating Activities	<u>\$ 4,788</u>	<u>\$ 5,418</u>	<u>\$ 10,206</u>

The Notes to the Financial Statements are an integral part of this statement.

## VILLAGE OF WALKERVILLE

Notes to the Financial Statements  
For the Fiscal Year Ended February 28, 2005

### NOTE A SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The accounting policies of the Village of Walkerville conform to accounting principles generally accepted in the United States of America (GAAP) as applicable to governmental units. The following is a summary of the significant accounting policies used by the Village of Walkerville:

In fiscal year 2004, the Village adopted GASB Statement No. 34, "*Basic Financial Statements - Management's Discussion and Analysis - for State and Local Governments.*" GASB Statement No. 34 requires new basic financial statements for reporting on the Village's financial activities. The effect of this change was to include management's discussion and analysis and include the government-wide financial statements prepared on an annual accrual basis of accounting and fund financial statements which present information on major funds, rather than by fund type.

#### 1. Reporting Entity

As defined by Governmental Accounting Standards Board (GASB) No. 14, the financial reporting entity consists of (1) the primary government, (2) organizations for which the primary government is financially accountable, and (3) other organizations for which the primary government is not accountable, but for which the nature and significance of their relationship with the primary government are such that exclusion would cause the reporting entity's financial statements to be misleading or incomplete. The primary government has financial accountability if it:

- a. Appoints a voting majority of the organization's board, and, has the ability to impose its will on the organization; or
- b. There is a potential for the component unit to provide certain financial benefits to, or impose certain financial burdens on, the primary government.

Based upon this criteria, there are no other entities included in this report.

The Village, however, does have some authority in the Walkerville Area Fire and Rescue Department. The Department is a separate entity governed by its own board appointed by the local governments in the Department's vicinity. Funding also is received by the Department from the local governments which receive the services provided by the Department.

#### 2. Government-Wide and Fund Financial Statements

The government-wide financial statements (i.e., the statement of net assets and the statement of changes in net assets) report information on all of the nonfiduciary activities of the primary government. For the most part, the effect of interfund activity has been removed from these statements. Governmental activities, normally supported by taxes and intergovernmental revenues, are reported

## Notes to the Financial Statements (Continued)

separately from business-type activities which rely to a significant extent on fees and charges for support.

The statement of activities demonstrates the degree to which the direct expenses of a given function or segment are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function or segment. Program revenues include: (1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among program revenues are reported instead as general revenue.

Separate financial statements are provided for governmental funds and fiduciary funds, even though the latter is excluded from the government-wide financial statements. Major individual governmental funds are reported as separate columns in the fund financial statements.

2. **Measurement Focus, Basis of Accounting and Financial Statement Presentation**  
The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting, as are the proprietary fund and fiduciary fund financial statements. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Governmental fund financial statements are reported using the current financial resources measurement focus and the modified accrual basis of accounting. Revenue is recognized as soon as it is both measurable and available. Revenue is considered to be available if it is collected within the current period or soon enough thereafter to pay liabilities of the current period. For this purpose, the government considers revenues to be available if they are collected within 60 days of the end of the current fiscal period. Expenditures generally are recorded when a liability is incurred, as under accrual accounting. However, debt service expenditures, expenditures relating to compensated absences, and claims and judgments are recorded only when payment is due.

Revenues are recognized in the accounting period in which they become susceptible to accrual, that is when they become both measurable and available to finance expenditures of the fiscal period.

- a. **State of Michigan Receivable**  
State shared revenue is distributed in 6 installments per year. Often the last payment has not been received by February 28; therefore, a receivable is recorded for this amount. For fiscal year-end February 28, 2005, this amount was \$5,022 in the General Fund.

## Notes to the Financial Statements (Continued)

The Major Streets and Local Street Funds also receive monthly installments from the State of Michigan for Act 51 Transportation. As of February 28, 2005, neither the January nor February 2005 payments had been received. Receivables totaling \$7,338 and \$3,075 have been recorded for the Major Streets and Local Street Funds respectively.

### b. Property Taxes Receivable

The Village property tax is levied on each December 1<sup>st</sup> on the taxable valuation of the property (as defined by state statutes) located in the Village as of the preceding December 31<sup>st</sup>. The taxes are due on September 14<sup>th</sup> and February 14<sup>th</sup>, with the final collection date of February 28<sup>th</sup> before they are added to the County tax rolls. The 2004 delinquent taxes of \$9,719 were not received by year-end, thus taxes receivable have been recorded. Although the property taxes receipt exceeded 60 days, it was soon enough to pay current liabilities and thus recorded as revenue for the current year.

The 2004 taxable valuation of the Village totaled \$2,682,667 on which ad valorem taxes levied consisted of 14.3593 mills for general operating, raising \$39,790. This amount is recognized in the general fund financial statements as current tax revenue.

The Sewer Restricted Fund taxes receivable of \$81,226 represents special assessment taxes billed to fund the repayment of the construction notes. Property owners may pay these taxes with interest over twenty-five years.

The government reports the following major governmental and proprietary funds:

### Governmental Funds

**General Fund** - This fund is used to account for all financial transactions not accounted for in another fund, including the general operating expenditures of the local unit. Revenues are derived primarily from property taxes, state distributions, grants and other intergovernmental revenues.

**Special Revenue Funds** - These funds are used to account for specific governmental revenues (other than special assessments and major capital projects) requiring separate accounting because of legal or regulatory provisions or administrative action. (Major Street and Local Street Funds.)

### Proprietary Funds

**Enterprise Funds** - Enterprise Funds are used to account for operations that (A) are financed and operated in a manner similar to private business enterprise - where the intent of the governing body is that the costs (expenses, including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (B) where the governing body has decided that the periodic determination of revenues earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability, or other purposes. (Sewer Maintenance and Sewer Restricted Funds.)

Private-sector standards of accounting issued prior to December 1, 1989, are generally followed in the government-wide financial statements to the extent that those standards do not conflict with the standards of the Governmental Accounting Standards Board.

## Notes to the Financial Statements (Continued)

As a general rule, the effect of interfund activity has been eliminated from the government-wide financial statements.

Amounts reported as program revenue include: (1) charges to customers or applicants for goods, services or privileges provided; (2) operating grants and contributions; and (3) capital grants and contributions, including special assessments. Internally dedicated resources are reported as general revenue rather than as program revenue. Likewise, general revenue includes all taxes.

### 3. Assets, Liabilities, and Net Assets or Equity

Bank Deposits and Investments - Cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with a maturity of three months or less when acquired. Investments are stated at fair value. Pooled investment income is generally allocated to each fund based on the cash balance in each fund.

Receivables and Payables - In general, outstanding balances between funds are reported as "due to/from other funds". Activity between funds that is representative of lending/borrowing arrangements outstanding at the end of the fiscal year is referred to as "advances to/from other funds".

Inventories and Prepaid Items - Payments for inventoriable types of supplies are recorded as expenditures at the time of purchase. There were no material inventories at year-end.

Restricted Assets - The general obligation bonds in the Sewer Restricted Fund requires amounts to be set aside for debt service of interest and principal.

Capital Assets - Capital assets, which include property and equipment, are reported in the applicable governmental activities column in the government-wide financial statements. Capital assets are defined by the government as assets with an initial individual cost of more than \$500 and an estimated useful life in excess of two years. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation. In accordance with GASB 34, infrastructure asset costs incurred prior to March 1, 2004 are not included in the financial statements.

Property and equipment is depreciated using the straight-line method over the following useful lives:

Buildings	40 to 60 years
Building Improvements	15 to 30 years
Water and Sewer Lines	50 to 75 years
Vehicles	3 to 8 years
Office Equipment	5 to 7 years
General Equipment	5 to 20 years
Streets and Highways	20 to 30 years
Salvage value is estimated at 10% of cost.	

## Notes to the Financial Statements (Continued)

Long-Term Obligations - In the government-wide financial statements and the proprietary fund types, long-term debt and other long-term obligations are reported as liabilities in the applicable governmental activities, business-type activities, and the proprietary fund type statement of net assets. Bond premiums and discounts, as well as issuance costs, are deferred and amortized over the life of the bonds using the straight line method. Bonds payable are reported net of the applicable bond premium or discount. Bond issuance costs are reported as deferred charges and amortized over the term of the related debt. In the fund financial statements, governmental fund types recognize bond premiums and discounts, as well as bond issuance costs during the current period. The face amount of debt issued is reported as other financing sources. Premiums received on debt issuances are reported as other financing sources while discounts are reported as other financial uses. Issuance costs are reported as debt service expenditures. The Village long-term debt is related to equipment purchases, major street improvements, and the construction of a sewer project.

Use of Estimates - The preparation of financial statements in conformity with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect certain reported amounts and disclosures. Accordingly, actual results could differ from those estimates.

Fund Equity - In the fund financial statements, governmental funds report reservations of fund balance for amounts that are not available for appropriation or are legally restricted by outside parties for use for a specific purpose. Designations of fund balance represent tentative management plans that are subject to change. The Village has designated \$2,500 for future equipment purchases in the general fund.

Deficit Equity - The Village has an accumulated retained earnings deficit in the Proprietary Fund - Sewer Restricted Fund of \$18,392, the Special Revenue Major Street Fund of \$7,747, and the Local Street Fund of \$3,593. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended that year in a deficit condition.

### NOTE B STEWARDSHIP, COMPLIANCE AND ACCOUNTABILITY

Budgetary Information - Annual budgets are adopted on a basis consistent with generally accepted accounting principles for all governmental funds. All annual appropriations lapse at fiscal year end. The Village approves its originally adopted budget by the end of the current fiscal year. Amendments are approved periodically during the year.

The budget document presents information by fund, activity, and line items. The legal level of budgetary control adopted by the governing body is the activity level.

The Village does not utilize encumbrance accounting.



Notes to the Financial Statements (Continued)

Excess of Expenditures Over Appropriations in Budgeted Funds - During the year, the Local Governmental Unit incurred expenditures in certain budgeted funds which were materially in excess of the amounts appropriated, as follows:

<u>Budget Item</u>	<u>Budget Appropriation</u>	<u>Actual Expenditures</u>
General Fund - Debt Service	\$ -	\$ 4,396
Major Street Fund - Public Works	28,132	46,801
Local Street Fund - Public Works	23,592	33,154
Sewer Maintenance Depreciation	-	11,735

NOTE C DEPOSITS AND INVESTMENTS

Michigan Compiled Laws, Section 129.91, authorizes the Village to make deposits and invest in the accounts of federally insured banks, credit unions, and savings and loan associations which have an office in Michigan. The Village is allowed to invest in bonds, securities and other direct obligations of the United States or any agency or instrumentality of the United States; United States government or federal agency obligations; repurchase agreements; bankers' acceptance of United States banks; commercial paper rated within the two highest classifications which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated as investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan.

The Village Board has designated West Shore Bank for the deposit of Local Unit funds.

The Village's deposits and investment policy are in accordance with statutory authority.

At year-end, the Village's deposits were reported in the basic financial statements in the following categories:

	<u>Governmental Activities</u>	<u>Proprietary Activities</u>	<u>Total Primary Government</u>
Cash and Cash Equivalents	\$ 27,073	\$ 110,233	\$ 137,306

The bank balance of the Village's deposits is \$146,693, of which \$100,238 is covered by federal depository insurance, \$46,455 is uninsured.

The Village believes that due to the dollar amounts of cash deposits and the limits of FDIC insurance, it is impractical to insure all bank deposits. As a result, the Village evaluates each financial institution with which it deposits Village funds and assesses the level of risk of each institution; only those institutions with an acceptable estimated risk level are used as depositories.

# Notes to the Financial Statements (Continued)

Investments are normally categorized to give an indication of the level of risk assumed by the Village; however, cash management funds are not categorized because they are not evidenced by securities that exist in physical or book entry form. The Village does not have any cash management funds.

## NOTE D RECEIVABLES

Receivables as of year-end for the Village's individual major and nonmajor funds, and the fiduciary funds in the aggregate, including the applicable allowances for uncollected accounts, are as follows:

	<u>General Fund</u>	<u>Major Street Fund</u>	<u>Local Street Fund</u>	<u>Sewer Maintenance Fund</u>	<u>Sewer Restricted Funds</u>	<u>Total</u>
State of Michigan Resident Receivables	\$ 5,022	\$ 7,338	\$ 3,075	\$ -	\$ -	\$ 15,435
	<u>-</u>	<u>-</u>	<u>-</u>	<u>6,650</u>	<u>-</u>	<u>6,650</u>
Net Receivables	\$ 5,022	\$ 7,338	\$ 3,075	\$ 6,650	\$ -	\$ 22,085

The Village allowance for uncollectible accounts is zero, as all unpaid receivables are added to the owner's tax bill and thus expected to be fully paid.

## NOTE E CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Governmental Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 37,897	\$ -	\$ -	\$ 37,897
Capital Assets Being Depreciated				
Buildings	330,704	-	-	330,704
General Equipment	91,793	22,968	16,500	98,261
Highways and Streets	<u>-</u>	<u>21,944</u>	<u>-</u>	<u>21,944</u>
Subtotal	422,497	44,912	16,500	450,909
Less Accumulated Depreciation for				
Buildings	158,698	5,363	-	164,061
General Equipment	48,022	7,282	14,850	40,454
Highways and Streets	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>
Subtotal	<u>206,720</u>	<u>12,645</u>	<u>14,850</u>	<u>204,515</u>
Net Capital Assets Being Depreciated	<u>215,777</u>	<u>32,267</u>	<u>1,650</u>	<u>246,394</u>
Total Governmental Activities Capital Assets - Net of Depreciation	<u>\$ 253,674</u>	<u>\$ 32,267</u>	<u>\$ 1,650</u>	<u>\$ 284,291</u>

# Notes to the Financial Statements (Continued)

	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
<b>Business-Type Activities</b>				
Capital Assets Not Being Depreciated				
Land	\$ 438	\$ -	\$ -	\$ 438
Capital Assets Being Depreciated				
Machinery and Equipment	22,328	-	-	22,328
Manning and Pumping Equipment	<u>25,107</u>	<u>5,818</u>	<u>-</u>	<u>30,925</u>
Subtotal	47,435	5,818	-	53,253
Less Accumulated Depreciation for				
Machinery and Equipment	22,328	-	-	22,328
Manning and Pumping Equipment	<u>3,572</u>	<u>551</u>	<u>-</u>	<u>4,123</u>
Subtotal	<u>25,900</u>	<u>551</u>	<u>-</u>	<u>26,451</u>
Net Capital Assets Being Depreciated	<u>21,535</u>	<u>5,267</u>	<u>-</u>	<u>26,802</u>
Business-Type Activities Capital Total				
Capital Assets - Net of Depreciation	<u>\$ 21,973</u>	<u>\$ 5,267</u>	<u>\$ -</u>	<u>\$ 27,240</u>

Depreciation expense was charged to programs of the primary government as follows:

Governmental Activities	
Unallocated	\$ 7,583
Public Safety	<u>5,062</u>
Total Governmental Activities	<u>\$ 12,645</u>
Business-Type Activities	
Sewer	<u>\$ 551</u>

## NOTE F INTERFUND RECEIVABLES, PAYABLES, AND TRANSFERS

The composition of interfund balances is as follows:

<u>Receivable Fund (Due From)</u>	<u>Amount</u>	<u>Payable Fund (Due To)</u>	<u>Amount</u>
General Fund	\$ 16,891	General Fund	\$ 3,084
Sewer Maintenance	4,231	Major Street	7,023
Sewer Assessment	756	Local Street	9,599
Major Street	<u>1,296</u>	Sewer Maintenance	268
	23,174	Sewer Assessment	<u>3,200</u>
			23,174

Interfund Transfers (to cover operating expenses)

Transfers In	<u>Transfers (Out)</u>
Local Streets Fund	<u>General Fund</u>
	\$ 14,282

Notes to the Financial Statements (Continued)

NOTE G LONG-TERM DEBT

Governmental Activities:

Michigan Municipal Bond Authority - The Village entered into a contract with the State on June 23, 1995, to borrow \$80,000 to be used for major street improvements. Interest is payable semi-annually on August 1 and February 1 at the rate of 6% until August 1, 2004 and then 6.5% for the remainder of the loan. Principal payments are due on August 1 with the final payment due August 1, 2009.

Annual requirements to amortize the outstanding bonds at February 28, 2005 are as follows, including interest payments of \$6,500.

<u>Year</u>	<u>Michigan</u>	<u>Bond Authority</u>
2005-2006		\$ 6,950
2006-2007		6,625
2007-2008		6,300
2008-2009		5,975
2009-2010		<u>10,650</u>
Total Principal and Interest		36,500
Less Interest		<u>6,500</u>
Total Principal		<u>\$ 30,000</u>

Westshore Bank - Police Car Loan - During 2003-2004, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$12,000 for the purchase of a new police car. The note is due in monthly payments of \$218.56 through February 3, 2009. Interest is payable at 3.5%.

Annual requirements to amortize the note payable at February 28, 2005 are as follows:

<u>Year</u>	<u>Westshore</u>
	<u>Bank</u>
2005-2006	\$ 2,622
2006-2007	2,622
2007-2008	2,622
2008-2009	<u>2,404</u>
Total Principal and Interest	10,270
Less Interest	<u>697</u>
Total Principal	<u>\$ 9,573</u>

Westshore Bank - DPW Truck - During 2004-2005, the Village of Walkerville entered into an agreement with Westshore Bank for a note payable in the amount of \$19,500 for the purchase of a GMC Road Grader. The note is due in monthly payments of \$354.74 through September 2009. Interest is payable at 3.5%.

Notes to the Financial Statements (Continued)

Annual requirements to amortize the note payable at February 28, 2005 are as follows:

<u>Year</u>	<u>Westshore Bank</u>
2005-2006	\$ 4,257
2006-2007	4,257
2007-2008	4,257
2008-2009	4,257
2009-2010	2,483
Total Principal and Interest	19,511
Less Interest	<u>1,509</u>
Total Principal	<u>\$ 18,002</u>

The following is a summary of Governmental Funds Debt transactions for the year:

	<u>Michigan Municipal Bond Authority</u>	<u>Westshore Bank Police Car</u>	<u>Westshore Bank DPW Truck</u>	<u>Total</u>
Debt Payable - Beginning	\$ 35,000	\$ 11,818	\$ -	\$ 46,818
Debt Proceeds	-	-	19,500	19,500
Debt Retired	<u>(5,000)</u>	<u>(2,245)</u>	<u>(1,498)</u>	<u>(8,743)</u>
Debt Payable - End of Year	<u>\$ 30,000</u>	<u>\$ 9,573</u>	<u>\$ 18,002</u>	<u>\$ 57,575</u>
Due within one year	<u>\$ 5,000</u>	<u>\$ 2,325</u>	<u>\$ 3,685</u>	<u>\$ 11,010</u>

**Business Type Activities:**

Rural Economic and Community Development - The Village Sewer Fund entered into a contract with the U.S. Department of Agriculture on September 13, 1989 to borrow \$275,000 to be used to finance the construction of a sewer project. Interest is payable at the rate of 6.0% with the final payment due in 2019. Following is a schedule of the minimum payments due as of February 28, 2005, including interest payments of \$87,900.

<u>Year</u>	<u>Amount</u>
2005-2006	\$ 19,520
2006-2007	20,010
2007-2008	19,470
2008-2009	20,200
2009-2010	20,600
Subsequent Years	<u>183,862</u>
Total Principal and Interest	283,662
Less Interest	<u>(87,900)</u>
Total Principal	<u>\$ 195,762</u>
Due within one year	<u>\$ 8,000</u>

Notes to the Financial Statements (Continued)

NOTE H CASH FLOWS

Cash paid for interest by the Village for the Proprietary Fund was \$12,000, which equals the interest expense and the total interest incurred for the year.

NOTE I RELATED PARTY TRANSACTIONS

The Village purchased a used leaf vac from Trustee Jay Conklin for \$683.

NOTE J RISK MANAGEMENT

The Village is exposed to various risks of loss related to torts; theft of, damage to and destruction of assets; errors and omissions; and natural disasters for which the Village carries commercial insurance. Liabilities in excess of insurance coverage, if any, are reported when it is probable that a loss has occurred and the amount of the loss can be reasonably estimated.

NOTE M PRIOR PERIOD ADJUSTMENT

Adjustments were made to the 2/29/04 receivables from the State of Michigan for Act 51 Transportation. Local Streets and Major Streets receivables were increased by \$850 and \$3,302 respectively for the February 2004 amounts.

In addition, an adjustment was made to the Sewer Restricted Fund receivable due to amounts written off and incorrect allocations of principal and interest in prior years. The receivable was decreased by \$2,856

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the General Fund For the Year Ended February 28, 2005

	Budgeted Amounts		Actual	Variance With
	Original	Final		Final Budget
Beginning Year Fund Balance	\$ 53,859	\$ 53,859	\$ 53,859	\$ -
Resources (Inflows)				
Property Taxes	40,000	40,000	40,168	168
State Shared Revenue	30,000	30,000	30,156	156
Charges for Services	1,400	1,400	3,443	2,043
Interest	500	500	464	(36)
Rents	1,000	1,000	38,763	37,763
Refunds and Reimbursements	2,200	2,200	2,081	(119)
Business Licenses and Permits	25	25	25	-
Operating Transfers In	40,000	40,000	-	(40,000)
Proceeds from Long-Term Debt	-	19,500	19,500	-
Sale of Fixed Assets	-	-	300	300
Miscellaneous	-	12,239	-	(12,239)
Amounts Available for Appropriation	<u>\$ 168,984</u>	<u>\$ 200,723</u>	<u>\$ 188,759</u>	<u>\$ (11,964)</u>
Changes to Appropriations (Outflows)				
Legislative	\$ 20,500	\$ 26,067	\$ 21,150	\$ 4,917
General Government	18,000	25,176	24,216	960
Public Safety	19,000	17,766	14,521	3,245
Public Works	18,000	51,958	50,975	983
Recreation and Culture	4,300	7,496	7,496	-
Debt Service	-	-	4,396	(4,396)
Operating Transfers Out	20,000	42,098	14,282	27,816
Other	<u>15,325</u>	<u>7,060</u>	<u>6,098</u>	<u>962</u>
Total Charges to Appropriations	<u>115,125</u>	<u>177,621</u>	<u>143,134</u>	<u>34,487</u>
Budgetary Fund Balance - June 30, 2004	<u>\$ 53,859</u>	<u>\$ 23,102</u>	<u>\$ 45,625</u>	<u>\$ 22,523</u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Major Streets Fund For the Year Ended February 28, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Fund Balance	\$ 8,634	\$ 8,634	\$ 8,634	\$ -
Prior Period Adjustment	3,302	3,302	3,302	-
Resources (Inflows)				
State Shared Revenue	28,000	35,000	34,351	(649)
Interest	<u>100</u>	<u>100</u>	<u>35</u>	<u>(65)</u>
Amounts Available for Appropriation	<u>\$ 40,036</u>	<u>\$ 47,036</u>	<u>\$ 46,322</u>	<u>\$ (714)</u>
Changes to Appropriations (Outflows)				
Construction Engineering			\$ 21,944	
Routine Maintenance			11,972	
Winter Maintenance			11,639	
Administration			1,246	
Debt Service			<u>6,968</u>	
Total Charges to Appropriations	<u>28,100</u>	<u>36,343</u>	<u>53,769</u>	<u>(17,426)</u>
Budgetary Fund Balance				
- February 28, 2005	<u>\$ 11,936</u>	<u>\$ 10,693</u>	<u>\$ (7,447)</u>	<u>\$ (18,140)</u>



# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Local Streets Fund For the Year Ended February 28, 2005

	Budgeted Amounts		Actual	Variance With Final Budget
	Original	Final		
Beginning Year Fund Balance	\$ 4,009	\$ 4,009	\$ 4,009	\$ -
Prior Period Adjustment	880	880	880	-
Resources (Inflows)				
State Shared Revenue	9,000	9,000	10,284	1,284
Interest	50	50	106	56
Operating Transfers In	-	14,542	14,282	(260)
Amounts Available for Appropriation	<u>\$ 13,939</u>	<u>\$ 28,481</u>	<u>\$ 29,561</u>	<u>\$ 1,080</u>
Changes to Appropriations (Outflows)				
Routine Maintenance			\$ 20,507	
Winter Maintenance			11,316	
Administration			1,331	
Total Charges to Appropriations	<u>9,000</u>	<u>23,592</u>	<u>33,154</u>	<u>9,562</u>
Budgetary Fund Balance - February 28, 2005	<u>\$ 4,939</u>	<u>\$ 4,889</u>	<u>\$ (3,593)</u>	<u>\$ (8,482)</u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Sewer Maintenance Fund For the Year Ended February 28, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Retained Earnings	\$ 44,257	\$ 44,257	\$ 44,257	\$ -
Resources (Inflows)				
Fees	23,000	23,000	19,442	(3,558)
Interest	<u>500</u>	<u>500</u>	<u>629</u>	<u>129</u>
Amounts Available for Appropriation	<u>\$ 67,757</u>	<u>\$ 67,757</u>	<u>\$ 64,328</u>	<u>\$ (3,429)</u>
Changes to Appropriations (Outflows)				
Salaries and Wages	\$ 4,000	\$ 4,033	\$ 3,782	\$ 251
Insurance and Supplies	4,300	6,517	958	5,559
Utilities	200	207	207	-
Operating Services	11,000	11,029	10,954	75
Professional Services	1,275	1,325	1,325	-
Licenses	-	1,950	1,950	-
Depreciation	-	-	579	(579)
Transfers Out	<u>2,725</u>	<u>3,688</u>	<u>-</u>	<u>3,688</u>
Total Charges to Appropriations	<u>23,500</u>	<u>28,749</u>	<u>19,755</u>	<u>8,994</u>
Budgetary Retained Earnings - February 28, 2005	<u>\$ 44,257</u>	<u>\$ 39,008</u>	<u>\$ 44,573</u>	<u>\$ 5,565</u>

# VILLAGE OF WALKERVILLE

## Required Supplementary Information Budgetary Comparison Schedule for the Sewer Restricted Fund For the Year Ended February 28, 2005

	Budgeted Amounts			Variance With
	<u>Original</u>	<u>Final</u>	<u>Actual</u>	<u>Final Budget</u>
Beginning Year Retained Earnings	\$ (14,081)	\$ (14,081)	\$ (14,081)	\$ -
Prior Period Adjustment	(2,856)	(2,856)	(2,856)	-
Resources (Inflows)				
Fees	3,000	3,000	2,785	(215)
Taxes	8,000	8,000	375	(7,625)
Interest on Investments	1,000	1,000	2,495	1,495
Interest on Assessments	<u>7,000</u>	<u>7,000</u>	<u>6,215</u>	<u>(785)</u>
Amounts Available for Appropriation	<u>\$ 2,063</u>	<u>\$ 2,063</u>	<u>\$ (5,067)</u>	<u>\$ (7,130)</u>
Changes to Appropriations (Outflows)				
Interest Expense	\$ 17,500	\$ 20,000	\$ 12,000	\$ 8,000
Other Expenses	<u>1,500</u>	<u>1,325</u>	<u>1,325</u>	<u>-</u>
Total Charges to Appropriations	19,000	21,325	13,325	8,000
Budgetary Retained Earnings - February 28, 2005	<u>\$ (16,937)</u>	<u>\$ (19,262)</u>	<u>\$ (18,392)</u>	<u>\$ 870</u>

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - General Fund For the Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
Property Taxes	\$ 40,000	\$ 39,790	\$ (210)
State Shared Revenue and Other Grants	30,000	30,156	156
Charge for Services	200	1,443	1,243
Cemetery	1,200	2,000	800
Interest	500	464	(36)
Rents	1,000	38,763	37,763
Refunds and Reimbursements	1,200	2,081	881
United Way	1,000	-	(1,000)
Penalty and Interest on Taxes	-	378	378
Miscellaneous	12,239	-	(12,239)
Business Licenses & Permits	<u>25</u>	<u>25</u>	<u>-</u>
Total Revenues	87,364	115,100	27,736
Expenditures			
Legislative			
Village Council		3,730	
Salaries		109	
Supplies		4,243	
Services		1,673	
Promotions		932	
Printing and Publications		8,891	
Insurance		<u>567</u>	
Miscellaneous			
	25,062	20,145	4,917
Youth Club		194	
Services		<u>811</u>	
Utilities			
	<u>1,005</u>	<u>1,005</u>	<u>-</u>
Total Legislative	\$ 26,067	\$ 21,150	\$ 4,917

Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund  
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
General Government			
Elections			
Supplies		\$ 13	
Printing and Publishing		3	
Services		<u>586</u>	
	\$ 1,045	602	\$ 443
Clerk/Assessor			
Salaries	7,896	7,438	458
Treasurer			
Salaries		2,255	
Supplies		<u>382</u>	
	3,000	2,637	363
Cemetery			
Salaries		4,150	
Supplies		447	
Services		2,163	
Utilities		<u>140</u>	
	6,658	6,900	(242)
Office			
Supplies		1,286	
Utilities		1,820	
Services		650	
Rentals		825	
Miscellaneous		725	
Capital Outlay		<u>1,333</u>	
	<u>6,577</u>	<u>6,639</u>	<u>(62)</u>
Total General Government	25,176	24,216	960
Public Safety			
Police Department			
Salaries		12,154	
Supplies		2,342	
Services		20	
Utilities		<u>5</u>	
Total Public Safety	\$ 17,766	\$ 14,521	\$ 3,245

Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget and Actual - General Fund  
(Continued)

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Public Works			
Refuse Collection Services	\$ 3,000	\$ 2,591	\$ 409
Street Lighting Utilities	4,185	4,184	1
Department of Public Works			
Salaries		6,270	
Supplies		8,103	
Services		2,977	
Professional Services		2,054	
Utilities		2,961	
Miscellaneous		200	
Capital Outlay		<u>21,635</u>	
	<u>44,773</u>	<u>44,200</u>	<u>573</u>
Total Public Works	51,958	50,975	983
Recreation and Culture			
Park			
Salaries		6,586	
Supplies		722	
Utilities		<u>188</u>	
Total Recreation and Culture	7,496	7,496	-
Debt Service			
Principal		3,743	
Interest		<u>653</u>	
Total Debt Service	-	4,396	(4,396)
Unallocated			
Fringe Benefits Including Penalties and Interest	6,000	5,046	954
Other Functions			
United Way Supplies	<u>1,060</u>	<u>1,052</u>	<u>8</u>
Total Other Functions	1,060	1,052	8
Total Expenditures	<u>\$ 135,523</u>	<u>\$ 128,852</u>	<u>\$ 6,671</u>

Statement of Revenues, Expenditures and Changes in  
Fund Balance - Budget to Actual - General Fund  
(Continued)

	<u>Budget</u>	<u>Actual</u>	Favorable (Unfavorable)
Excess Revenues Over (Under) Expenditures	\$ (48,159)	\$ (13,752)	\$ 34,407
Other Financing Sources (Uses)			
Sale of Fixed Assets	-	300	300
Operating Transfers In	40,000	-	(40,000)
Operating Transfers Out	(42,098)	(14,282)	27,816
Proceeds from Long-Term Debt	<u>19,500</u>	<u>19,500</u>	-
Total Other Financing Sources (Uses)	<u>17,402</u>	<u>5,518</u>	<u>(11,884)</u>
Excess Revenues and Other Sources Over (Under) Expenditures and Other Uses	<u>\$ (30,757)</u>	<u>(8,234)</u>	<u>\$ 22,523</u>
Fund Balance - Beginning of Year		<u>53,859</u>	
Fund Balance - End of Year		<u>\$ 45,625</u>	

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Major Street Fund For the Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 35,000	\$ 34,351	\$ (649)
Interest	<u>100</u>	<u>35</u>	<u>(65)</u>
Total Revenues	35,100	34,386	(714)
Expenditures			
Public Works			
Construction		21,944	
Routine Maintenance		11,972	
Winter Maintenance		11,639	
Administration	<u>          </u>	<u>1,246</u>	<u>          </u>
Total Public Works	28,132	46,801	(18,669)
Debt Service			
Principal		5,000	
Interest		<u>1,968</u>	
Total Debt Service	<u>6,968</u>	<u>6,968</u>	<u>-</u>
Total Expenditures	<u>35,100</u>	<u>53,769</u>	<u>(18,669)</u>
Excess Revenues Over (Under) Expenditures	-	(19,383)	(19,383)
Other Financing Sources (Uses)			
Operating Transfers In	<u>-</u>	<u>-</u>	<u>-</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	(19,383)	<u>\$ (19,383)</u>
Prior Period Adjustment		3,302	
Fund Balance - Beginning of Year		<u>8,634</u>	
Fund Balance - End of Year		<u><u>\$ (7,447)</u></u>	



# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Fund Balance - Budget and Actual - Local Street Fund For the Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Revenues			
State Shared Revenue	\$ 9,000	\$ 10,284	\$ 1,284
Interest Earned	<u>50</u>	<u>106</u>	<u>56</u>
Total Revenues	9,050	10,390	1,340
Expenditures			
Public Works			
Routine Maintenance		20,507	
Winter Maintenance		11,316	
Administration		<u>1,331</u>	
Total Expenditures	<u>23,592</u>	<u>33,154</u>	<u>(9,562)</u>
Excess Revenues Over (Under) Expenditures	(14,542)	(22,764)	(8,222)
Other Financing Sources (Uses)			
Operating Transfers In	<u>14,542</u>	<u>14,282</u>	<u>(260)</u>
Excess Revenues Over (Under) Expenditures	<u>\$ -</u>	(8,482)	<u>\$ (8,482)</u>
Prior Period Adjustment		880	
Fund Balance - Beginning of Year		<u>4,009</u>	
Fund Balance - End of Year		<u>\$ (3,593)</u>	

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Maintenance Fund For the Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ 23,000	\$ 19,442	\$ (3,558)
Operating Expenses			
Salaries and Wages	4,033	3,782	251
Insurance and Supplies	6,517	958	5,559
Utilities	207	207	-
Services - Operating	11,029	10,954	75
Professional Services	1,325	1,325	-
Licenses	1,950	1,950	-
Depreciation	<u>-</u>	<u>11,735</u>	<u>(11,735)</u>
Total Operating Expenses	<u>25,061</u>	<u>30,911</u>	<u>(5,850)</u>
Operating Income (Loss)	(2,061)	(11,469)	(9,408)
Non-Operating Revenues (Expenses)			
Interest Income	500	629	129
Transfer Out	<u>(3,688)</u>	<u>-</u>	<u>3,688</u>
Net Non-Operating Revenues (Expenses)	<u>(3,188)</u>	<u>629</u>	<u>3,817</u>
Net Income (Loss)	<u>\$ (5,249)</u>	(10,840)	<u>\$ (5,591)</u>
Net Assets - Beginning of Year		<u>478,439</u>	
Net Assets - End of Year		<u>\$ 467,599</u>	

# VILLAGE OF WALKERVILLE

## Statement of Revenues, Expenditures and Changes in Retained Earnings - Budget and Actual - Sewer Restricted Fund For the Year Ended February 28, 2005

	<u>Budget</u>	<u>Actual</u>	<u>Favorable (Unfavorable)</u>
Operating Income			
Fees	\$ 3,000	\$ 2,785	\$ (215)
Taxes	<u>8,000</u>	<u>375</u>	<u>(7,625)</u>
Total Operating Income	11,000	3,160	(7,840)
Operating Expenses	<u>-</u>	<u>-</u>	<u>-</u>
Operating Income (Loss)	11,000	3,160	(7,840)
Non-Operating Revenues (Expenses)			
Interest on Assessments	7,000	6,215	(785)
Interest Income on Investments	1,000	2,495	1,495
Interest Expense	(20,000)	(12,000)	8,000
Other Expenses	<u>(1,325)</u>	<u>(1,325)</u>	<u>-</u>
Net Non-Operating Revenues (Expenses)	<u>(13,325)</u>	<u>(4,615)</u>	<u>8,710</u>
Net Income (Loss)	<u>\$ (2,325)</u>	(1,455)	<u>\$ 870</u>
Prior Period Adjustments		(2,856)	
Net Assets - Beginning of Year		<u>(14,081)</u>	
Net Assets - End of Year		<u>\$ (18,392)</u>	

# Companies



**Hendon & Slate, P.C.**  
CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



## REPORT ON COMPLIANCE AND ON INTERNAL CONTROL OVER FINANCIAL REPORTING BASED ON AN AUDIT OF FINANCIAL STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS

To the Village Council  
Village of Walkerville, Michigan

We have audited the general purpose financial statements of Village of Walkerville, Michigan, as of and for the year ended February 28, 2005, and have issued our report thereon dated June 6, 2005. We conducted our audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in *Government Auditing Standards*, issued by the Comptroller General of the United States.

### Compliance

As part of obtaining reasonable assurance about whether Village of Walkerville, Michigan's general purpose financial statements are free of material misstatements, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance that are required to be reported under *Government Auditing Standards*. However, we noted certain immaterial instances of noncompliance that we have reported to management of Village of Walkerville, Michigan, in a separate letter dated June 15, 2005.

### Internal Control Over Financial Reporting

In planning and performing our audit, we considered Village of Walkerville, Michigan's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the general

Grand Rapids  
2025 East Beltline SE  
Suite 208  
Grand Rapids, MI 49546  
Phone (616) 954-2995  
Fax (616) 954-3690

Muskegon  
950 W. Norton Ave.  
Suite 500  
Muskegon, MI 49442  
Phone (231) 733-0075  
Fax (231) 733-0185

Fremont  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6890  
Fax (231) 924-6888  
Toll Free (800) 924-6891

Whitehall  
116 W. Colby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6773

Hart  
2312 North Canton Drive  
Hart, MI 49420  
Phone (231) 875-5611  
Fax (231) 875-7055

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purpose financial statements and not to provide assurance on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses. A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements in amounts that would be material in relation to the general purpose financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses. (However, we noted other matters involving the internal control over financial reporting that we have reported to management of the Village of Walkerville, Michigan, in a separate letter dated June 15, 2004.)

This report is intended for the information of the audit committee, management, and federal awarding agencies and pass-through entities.

*Hendon & Slate, P.C.*

Hendon & Slate, P.C.  
Fremont, Michigan  
June 6, 2005

# H&S Companies



**Hendon & Slate, P.C.**

CERTIFIED PUBLIC ACCOUNTANTS  
BUSINESS CONSULTANTS



June 30, 2005

Council Members  
Village of Walkerville  
Walkerville, Michigan

Dear Council Members:

In connection with our audit of the Village of Walkerville as of and for the year ended February 28 2005, we offer the following comments and recommendations.

## Budgeting

As in the past, the Village is appropriately adopting a budget for the fiscal year and amending it as necessary. This year we were pleased to see the Village implemented last year's comment and amended the budget for the loan proceeds related to the GMC Road Grader.

## Written Policies

We recommend that the council develop written policies regarding some of the Village's current practices.

- Check Writing/Authorization-During the audit, we noticed that some invoices are not paid until approved by the board while others are paid before council meetings. While we understand that it is impractical hold recurring payments with due dates until village meetings, we suggest that the Village's practice of paying certain bills without prior authorization be formally approved in writing.
- Investment Policy-It is required by P.A. 196 of 1997 that all local units of government adopt an investment policy. We have included a sample policy for your use.
- Capitalization Policy-As GASB 34 now requires the capitalization of assets, a policy should be created regarding what assets will be capitalized and what items should be expensed. We have again included a sample policy. We do suggest that most units of your size, capitalize items that have a cost of at least \$500 and will last for two or more years. Any items that fit this description should be added to your inventory list.

**Grand Rapids**  
2025 East Edinboro SE  
Suite 208  
Grand Rapids, MI 49526  
Phone (616) 954-3965  
Fax (616) 954-3990

**Muskegon**  
950 W. Norton Ave.  
Suite 300  
Muskegon, MI 49441  
Phone (231) 733-0076  
Fax (231) 733-0183

**Fremont**  
711 West Main Street  
Fremont, MI 49412  
Phone (231) 924-6390  
Fax (231) 924-4688  
Toll Free (800) 924-6891

**Whitehall**  
116 W. Coby, Suite B  
Century Building  
Whitehall, MI 49461  
Phone (231) 893-6772  
Fax (231) 893-6772

**Hart**  
2352 North Canton Drive  
Hart, MI 49420  
Phone (231) 877-5611  
Fax (231) 877-7022

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### Assessments

During the year ended February 28, 1997, the Village started to collect an additional \$1.40 per unit per month for debt service. We noted that this amount should be transferred to the Sewer Restricted Fund since it is for the reduction of debt. As of February 28, 2005 the following was the position of the Council in relation to the amount available and to be provided for the cancellation of long-term debt and interest.

<u>Assets to Repay Loan and Interest</u>		<u>Loan Balance at 02/28/05</u>	
Cash Set Aside for Debt Repayment	\$ 104,377	Note Payable	\$ 195,761
Interest to be Collected on Cash Balance		Interest Payable	87,900
Invested	48,222	Amount to be paid to	
Special Assessments Receivable	81,226	Sewer Maint. Fund	<u>3,200</u>
Amount to be paid from General		Total Due	<u>\$ 286,861</u>
Fund	756		
Interest to be Collected on Special		Assets	\$ 324,482
Assessments	38,733	Total Due	<u>286,861</u>
Additional Collect. (\$1.86/Unit per Mo)	<u>51,168</u>		
Assets for Repayment	<u>\$ 324,482</u>	Excess Assets	<u>\$ 37,621</u>

We ask that the council review their calculation for the additional collection of \$1.40 per month. It appears that you are multiplying the \$1.40 time four months per quarter and four quarter per year (16 months) instead of 3 months per quarter. Please see our memo regarding the due to/ from other funds for this calculation.

### Deficit

The Village has accumulated a retained earnings deficit in the Sewer Restricted Proprietary Fund of \$18,392. Public Act 275 of 1980 requires that the Village of Walkerville file a deficit elimination plan within 90 days after the end of the fiscal year for each fund that ended in a deficit condition. During the current year the deficit was increased by \$1,455. It doesn't appear that you will be able to reduce the deficit fund balance in the near future with current estimates. This is partially due to the decrease in interest rates paid by on your certificate of deposit. The Village will need to look for additional ways of decreasing the deficit each year until interest rates increase. We are offering the following suggestions. At this time the sewer assessment fund is collecting an additional \$1.40 per unit per month for debt service. We suggest that you increase that amount to \$1.867. This will be \$3,687.04 per year, this is the amount you are currently transferring due to the incorrect calculation noted above. We also suggest that the sewer maintenance fund absorb the \$3,199.87 owed from the sewer assessment fund.

The Local Streets and Major Streets Fund have also developed a deficit fund balance of \$3,954 and \$7,447, respectively. The Local Street deficit was caused by a miscalculation of equipment rent and can be corrected if the general fund absorbs these extra costs in the current year. The Major Street deficit was caused by Nordland and Associates' fees. The Village should be cautious of what can be realistically spent in the next five years in order to reduce the deficit.

**GASB 34 - Basic Financial Statements - and Management's Discussion and Analysis**

As you have probably noticed, there are substantial changes to your financial statements this year with the implementation of GASB 34. The most significant changes to the financial statements are the statement of net assets which include the Village's fixed assets less any applicable depreciation and also any bonds or note payables in the governmental funds. The statement of revenues, expenses, and changes in net assets is also a new statement. This statement eliminates any transactions between your governmental funds. For example, the equipment rental revenue from the general fund and the related expense in the major and local streets funds has been eliminated on the government wide financial statements. (These amounts are still included, however, in the fund financial statements found after the notes).

In addition, a Management's Discussion and Analysis (MD&A) has been included in the financial statements. This information was provided by the council regarding descriptions of significant events during the year and changes from prior years that did or will have a significant effect on the financial statements.

This report is intended solely for the information and use of the Village of Walkerville management, the Council Members, the State of Michigan, and USDA, Rural Department and is not intended to be and should not be used by anyone other than these specified parties.

We appreciate the courtesy extended to us during our audit. We are available year-round to assist in the implementation of any of the recommendations set forth in this letter or to answer any questions regarding the audit.

Respectfully submitted,



Jodi DeKuiper, CPA  
Hendon & Slate, P.C.